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SUBJECT: Canton Fair Adds Imports, Strengthens IPR Protection

REFERENCE: Guangzhou 31300

(U) This cable is sensitive but unclassified. Please handle accordingly.

11. (U) SUMMARY AND COMMENT: In a move that China's leaders say will help reduce the country's trade surplus, the Canton Fair - which in its first one hundred sessions dating back to the 1950s has focused solely on Chinese exports - showcased, for the first time, products that could be imported from abroad. Approximately 300 companies from 36 countries and regions (Taiwan, Hong Kong and Macao) exhibited at the fair, only a fraction of the more than 14,000 Chinese companies present. So far, the move to imports looks more like a public relations effort rather than a serious effort to attract import exhibitors. Its success will really depend on whether "foreign companies," especially small and medium size enterprises, take advantage of what the Fair has to offer and whether the Chinese side does a good job of encouraging and promoting the Fair's import dimension. This year's Fair also introduced more stringent penalties for IPR infringers. END SUMMARY AND COMMENT.

#### A Decision to Balance Trade

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12. (U) Premier Wen Jiabao announced in October 2006 that the Fair would be renamed the China Import and Export Fair, signaling China's intention to use all of the resources at its disposal to address the continuing imbalance between imports and exports (see reftel). Vice Minister of Commerce Gao Hucheng stated during the opening ceremony that China is particularly interested in importing advanced and energy-saving technologies. Fair organizers said they plan to expand the exhibition space for foreign companies in the October 2007 Fair.

#### Statistics on Buyers and IPR Complaints

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13. (U) According to the Fair spokesman, 136,000 buyers attended the first session of the Fair (April 15-20), an increase of 12 percent from the first half of the October 2006 Fair. The top five places of origin for buyers were Hong Kong (16,700), United States (7,600), Taiwan (5,600), India (5,000), and Malaysia (4,500). Export deals worth USD 24 billion were signed, up 8 percent from the October 2006 Fair. No numbers on import deals were released. The Fair's IPR complaint center received 203 complaints in the first session, down 15 percent from the October Fair. Nine of the complaints were against companies in the international exhibition hall.

14. (U) The international exhibition hall included 314 foreign companies from 36 countries and regions, including 19 from the United States, 89 from Hong Kong, 42 from Taiwan, 36 from South Korea, and 35 from Malaysia. In a briefing in early 2007, Fair organizers told Econ Assistant that they denied requests by Hong Kong and South Korea to buy most of the international pavilion in order to allow a greater variety of international exhibitors. The Ministry of Commerce reportedly invited 6,000 Chinese corporate buyers to visit the international pavilion. Chinese exhibitors at both sessions of the Fair, totaling 14,430, still vastly outnumber foreign companies.

15. (SBU) Most of the U.S. exhibitors were small companies. The Washington State Trade Development Office (which has an office in Guangzhou) sponsored a booth that was shared by seven Washington-based companies, several of which sold health supplements. Asian countries or regions with large overseas Chinese populations - Hong Kong, Singapore, Taiwan, Malaysia - filled most of the hall. In a number of cases, however, the exhibitors seemed to be Chinese manufacturers displaying under the name of a foreign partner. A news report early in the week noted that a number of booths in the international hall were rented by Chinese firms who could not find space in the Chinese side of the Fair.

16. (SBU) The types of products on display were a jumble: automobiles, bathtubs, coffee, appliances, and jewelry. Nevertheless, the hall was busy with Chinese visitors and many exhibitors said they were pleased with the response. Director-General of the China Foreign Trade Center Wang Junwen told Ambassador Randt, during a brief meeting on April 19, that

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international exhibitors had complained there were too many foreign and not enough Chinese buyers.

#### Stronger Penalties for IPR Infringers -----

17. (U) At a press conference during the April 19 opening ceremony, the Fair's Deputy Secretary General announced new, more stringent penalties against infringers. According to press reports and materials collected at the Fair's IPR complaint center, exhibitors who infringe on trademarks at two sessions of the Fair, or infringe on copyrights or patents at three sessions (or two consecutive sessions), will be banned from the next four sessions of the Fair. (Previously, exhibitors caught three times were banned from the next Fair.) In addition, exhibitors will be banned from the next six Fairs if they display items for which they have previously been penalized, administratively or judicially. The Chinese media reported that Fair authorities used the latter penalty against a Ningbo company in a design patent complaint brought by a Shenzhen company. Econoff also noticed that the IPR complaint center for the first time had English copies of complaint submission forms and other procedural information.

18. (SBU) Though media reports said the tougher IPR penalties were a response to the WTO complaints brought by the United States, no official could confirm this. And a copy of the new rules available at the Fair was dated February 13 -- prior to the announcement of the WTO complaints.

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